

**TESTIMONY BEFORE THE BUDGET COMMITTEE ON HUMAN SERVICES
REGARDING ADMINISTRATIVE COSTS FOR THE
STATE CHILDREN'S HEALTH INSURANCE PROGRAM
FEBRAURY 25, 2004**

Chairman Price, members of the committee, I am David Zentner, Director of Medical Services for the Department of Human Services. I appear to provide information regarding the administrative expenses for the State Children's Health Insurance Program.

Federal law limits the amount states can claim for administrative costs for the SCHIP program to no more than 10 percent of the cost of providing medical services to eligible children for each federal fiscal year of operation. For the last federal fiscal year ending September 30, 2003, the administrative expenditure limit for SCHIP was \$719,141. The Department expended \$79,677 for administrative expenses during the year.

The expenses include \$42,158 for salary and fringe benefits primarily for the eligibility worker who processes applications, \$11,370 in operating that includes printing costs for brochures, data processing costs and other similar administrative activities, \$3,465 in allocated expenses such as medical services administrative allocated costs, executive office, legal and human resource units, and \$22,684 for the allocated costs of implementing the Health Insurance and Portability Accountability Act (HIPAA).

Administrative costs consist of any necessary expenses associated with the operation of SCHIP including eligibility determination, computer operations and outreach. The Department has spent only about 11% of the amount we could claim for administrative expenses or about 1.2% of the total cost of the program during the last federal fiscal year.

The Department has primarily relied on grants administered by Northland Health Care Alliance and the Dakota Medical Foundation to provide the outreach for Healthy Steps and the other programs designed to assist low-income individuals and families access medical care.

The Dakota Medical Foundation also agreed to provide the required match to upgrade the VISION system that is currently used by county offices to determine Medicaid eligibility to include eligibility determination for Healthy Steps. The estimated cost of implementing this change is about \$500,000. The project will take about nine months to complete. The federal portion for the development of the system will be paid using the administrative allocation allowed under the federal law. The Department is looking for direction to determine if the Healthy Steps eligibility process should remain as a state office function or should be transferred to the County Social Service Boards.

I would be happy to respond to any questions you may have.